

W-01303A-09-0343
SW-01203A-09-0343

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OPEN MEETING AGENDA ITEM

From: lynnbrendavick [mailto:lynnbrendavick@cox.net]

Sent: Tuesday, November 23, 2010 2:16 PM

To: Mayes-WebEmail; Pierce-Web; Newman-Web; Kennedy-Web; Stump-Web; Utilities Div - Mailbox

Cc: Director Jodi Jerich, Esq

Subject: Current Anthem Water/Wastewater Rate Case Docket No. W-01303A-09-0343

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AZ CORP COMMISSION
DOCKET CONTROL

Dear Commissioners,

The latest information provided to you by RUCO and docketed as filing date of 11-9-2010; filed by Daniel W. Pozefsky, RUCO; filed for RUCO; view image no. 0000119867 indicates that the cost of the infrastructure to provide water to the homes of the Anthem residents was included in the cost of the lot. Therefore the water/wastewater rates for Anthem should not include any infrastructure costs except normal depreciation which would be included in the expenses.

I do not understand why the water utility companies, Citizens and/or AAWC, would agree to pay Del Webb/Pulte balloon payments totaling over \$53 million dollars for infrastructure costs which were included in the cost of the lots. It seems to me that the Anthem residents are being requested to pay for the infrastructure costs twice: once to Pulte when they bought the house and now AAWC wants to include the balloon payments totaling over \$53 million plus financing charges in the water/wastewater rates for Anthem. It is recommended that the balloon payments totaling more than \$53 million plus financing charges be excluded from the Anthem water and wastewater rates. This would require the Commissioners to exclude the approximate \$23 million plus financing charges included in the current rate case, go back and remove the approximate \$23 million plus financing charges which are already included in the Anthem rates, and disallow the last payment of approximately \$7 million from any future rate requests.

The Anthem/Aqua Fria Wastewater District should be deconsolidated during this current rate case.

The financing charges should be in accordance with current economic conditions which are extremely low for both short and long term financing. Please refer to the following previously docketed information: filing date 4-28-2010; filed by Stephen P. Puhr; filed for Consumer; view image no. 0000110458.

AAWC does not maintain detailed accounting records which are specific to only the Anthem water and wastewater infrastructure. AAWC has stated that "we essentially custom build financial statements for each district when we file a rate case." Item 2 A. on page 14 of the "UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES" issued in 1996 reads as follows:

"Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall

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be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."

Commission staff and RUCO need to be extraordinarily diligent in reviewing the expenses submitted by AAWC. Any expenses which cannot be fully justified with supporting documentation specific to the Anthem water/wastewater infrastructure should be disallowed. Also AAWC should be required to maintain accurate accounting records which are specific to each water/wastewater district in the future.

There is provided below a summary of the recommendations:

- (1) The water/wastewater rates for Anthem should not include any infrastructure costs except normal depreciation which would be included in the expenses.
- (2) Exclude the approximate \$23 million plus financing charges included in the current rate case, go back and remove the approximate \$23 million plus financing charges which are already included in the Anthem rates, and disallow the last payment of approximately \$7 million from any future rate requests.
- (3) The Anthem/Aqua Fria wastewater district should be deconsolidated during this current rate case.
- (4) The financing charges should be in accordance with current economic conditions which are extremely low for both short and long term financing.
- (5) Commission staff and RUCO need to be extraordinarily diligent in reviewing the expenses submitted by AAWC. Any expenses which cannot be fully justified with supporting documentation specific to the Anthem water/wastewater infrastructure should be disallowed. Also AAWC should be required to maintain accurate accounting records which are specific to each water/wastewater district in the future.

Respectfully submitted,

Lynn Vick
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